

**Report for:** Pensions Committee and Board – 13 July 2023

**Item number:**

**Title:** Haringey Pension Fund Risk Register

**Report**

**authorised by:** Josephine Lyseight, Assistant Director of Finance (Deputy Section 151 Officer)

**Lead Officer:** Tim Mpofu, Head of Pensions and Treasury  
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**Ward(s) affected:** N/A

**Report for Key/**

**Non Key Decision:** Non Key Decision

## **1. Describe the issue under consideration**

1.1. This paper has been prepared to update the Pensions Committee and Board on the Pension Fund's risk register and provide an opportunity for the Pension Committee and Board to further review the risk score allocation.

## **2. Cabinet Member Introduction**

2.1. Not applicable

## **3. Recommendations**

The Pensions Committee and Board is requested:

3.1. To note and provide any comments on the Pension Fund's risk register. The area of focus for review at this meeting will be Governance-related risks.

## **4. Reason for Decision**

4.1. Not applicable.

## **5. Other options considered**

5.1. Not applicable.

## **6. Background information**

6.1. The Pensions Regulator requires that the Pension Committee and Board (PCB) establish and implement internal controls for the Pension Fund. These internal controls must be sufficient to ensure that the scheme is administered and managed in accordance with the scheme rules and legal requirements.

6.2. The PCB initially approved a full version of the risk register in September 2016. Since then, different areas of the risk register have been reviewed at each subsequent meeting, with any changes agreed upon to ensure that the Pension Fund's strategic risk monitoring remains current.

6.3. The Pension Fund’s risk register covers administration, governance, investment, accounting, funding, and legislation risks. Appendix 1 to this paper includes an assessment of the governance-related risks that have been reviewed and updated for the PCB to provide feedback on at the meeting. Other areas of risk will be presented to the PCB for a detailed review in upcoming meetings.

**Risk Scoring**

6.4. The Pension Fund’s risk scoring system evaluates the impact and likelihood of identified risks occurring. Each risk is assigned a score ranging from 1 (low impact, unlikely to occur) to 5 (high impact, very likely to occur). The RAG (Red-Amber-Green) rating system categorises the overall score for each risk,

RAG Rating	Scoring Range
	25 - 16
	15 - 10
	Less than 10

**Key identified risks**

6.5. The Pension Fund has identified several key risks of particular concern in the short to medium term. These have been summarised in the table below.

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
<b>INV13 – High inflation</b>		<p>Inflation remains elevated for longer than initially anticipated, increasing both investment and funding risk for the Pension Fund.</p> <p>The current Consumer Price Index (CPI) inflation rate is 8.7%.</p>	<p>The Pension Fund has several investment mandates in inflation linked strategies which should provide some level of inflation protection.</p> <p>The Pension Fund is conducting a thorough review of its investment strategy following the actuarial valuation exercise. This includes an assessment of the impact of inflation on the Pension Fund’s cashflows and asset specific expected returns.</p>
<b>ACC1 – Delay of publication of Statement of Accounts</b>		<p>The Council continues to experience significant delays to the completion of the external audit of its Statement of Accounts.</p> <p>Although the Council has published the draft accounts for 2021/22 and 2022/23, the external audit for both financial years remains outstanding.</p>	<p>Since the last update provided to the PCB by the Fund’s external auditors, very little progress has been made in completing the outstanding audits.</p> <p>Officers have been actively engaging with the external auditors to complete this activity as soon as possible. The issue has also been</p>

Key identified risk	RAG Rating	Update on Risk	Actions taken to manage and mitigate risks
		This means that the Pension Fund's has not had audited Annual Report for two years, resulting in failure to publish the audited reports in accordance with the statutory requirements.	brought to the attention of the Public Sector Audit Appointments Limited (PSAA), the body responsible for auditor appointment for local government and police bodies.
<b>INV2 – Increasing risk of a market downturn</b>		<p>The Bank of England's Monetary Policy Committee (MPC) has stated that it will take the necessary actions to return inflation to the 2% target.</p> <p>In June 2023, the MPC voted to increase the bank rate to 5%, reaching the highest levels since the Great Financial Crisis. Due to inflation in the UK proving to be stickier than initially anticipated, the MPC is widely expected to continue increasing interest rates. However, this action is expected to increase the risk of a recession in the UK in 2024.</p>	<p>Officers will continue to monitor the situation as it develops, consulting with investment managers and advisors were necessary, and making the appropriate recommendations to the Pensions Committee and Board.</p> <p>The Pension Fund is currently conducting a thorough review of its investment strategy following the actuarial valuation exercise which will consider the investment risks and opportunities given the prevailing macroeconomic environment.</p>

6.6. Officers will continue to keep the Pension Fund's risk register under constant review.

## 7. Contribution to Strategic Outcomes

7.1. Not applicable

## 8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

### Finance and Procurement

8.1. There are no direct financial implications arising from this report.

### Head of Legal and Governance (Monitoring Officer)

8.2. The Head of Legal and Governance has been consulted on the content of this report. Members should refer to the matters referred to in paragraph 6.5 of this

report and the risks that these poses to the Pension Fund. Actions taken must not only manage but also mitigate the risk.

- 8.3. Section 70 of the Pensions Act 2004 imposes a reporting requirement on the administering authority where there is reasonable cause to believe that a duty which is relevant to the administration of the scheme and imposed by legislation has not been complied with and the failure is one which is of “material significance” then a report must be made to the Pension Regulator.

#### Equalities

- 8.4. Not applicable.

### **9. Use of Appendices**

- 9.1. Appendix 1: Haringey Pension Fund Risk Register Review – Governance Risks
- 9.2. Appendix 2: Haringey Pension Fund Summary Risk Register

### **10. Local Government (Access to Information) Act 1985**

- 10.1. Not applicable.